

Following impairments of 2.957 billion euros, net income was
-1.227 billion euros

REPSOL POSTS ADJUSTED NET INCOME OF 1.86 BILLION EUROS

- **This result, which reflects the performance of Repsol's business units, is 9% higher than the income from 2014, and was achieved in the context of very low oil and gas prices.**
- **The company's EBITDA at CCS (current cost of supplies) was 5.013 billion euros, 6% higher than in 2014.**
- **The company's industrial and operational indicators improved significantly in 2015:**
 - **Hydrocarbon production reached 697,500 barrels of oil equivalent per day in the fourth quarter; an increase of 88% compared to the same period in 2014.**
 - **Proved reserves increased by 54% in 2015, totaling 2.373 billion barrels of oil equivalent.**
 - **The refining margin indicator was 8.5 dollars per barrel, twice the level of 2014.**
- **The Downstream unit achieved excellent results in 2015, supported by the margins in refining and chemicals, and driven by investment in efficiency alongside operational improvements undertaken over the last few years.**
- **The industry was marked by very low oil and gas prices. As a consequence, Repsol decided to book extraordinary impairments of 2.957 billion euros (which can be reversed over the next few years in the event of a change in prices), resulting in net income of -1.227 billion euros.**

- **In 2016, Repsol has introduced additional measures to reinforce its strategic objectives, including:**
 - **Increasing the synergies from the Talisman integration to 400 million dollars from the initially-identified 220 million.**
 - **Reducing the investments planned for the period 2016-2017 by an additional 20% (1.8 billion euros).**
 - **Boosting the efficiency program to achieve 1.1 billion euros in 2016 (including synergies).**
- **The Board of Directors has agreed to propose to the next Annual General Meeting a remuneration (as a final dividend payment) of 0.3 euros per share under the “Repsol Flexible Dividend” program.**

In 2015, Repsol achieved an adjusted net income of 1.86 billion euros, 9% higher than the 1.707 billion obtained during the previous year. This result specifically measures the performance of the business units and demonstrates the company's strength and resilience in the face of adverse situations such as the current low oil and gas prices.

The company's EBITDA at CCS, calculated at current cost of supplies, was 5.013 billion euros. This is 6% higher than in 2014.

Repsol's integrated business model has demonstrated its value, as the income from the downstream business unit has offset the low cycle in the upstream business unit caused by the fall in oil and gas prices.

The upstream unit (hydrocarbon exploration and production) focused on managing investments more efficiently as well as completing the Talisman integration and maximizing the synergies announced after the acquisition of the Canadian company.

In 2015, Repsol doubled its hydrocarbon production, significantly increased reserves, and improved its asset portfolio, increasing its quality and global scale with greater geographical diversification.

The acquisition also allowed Repsol to increase the proportion of gas in its portfolio of producing assets. Gas is a key fuel in the future energy mix and is expected to gain importance in the world energy matrix over the next decades, in power generation among other applications. It is expected to replace fuels such as coal that are less efficient and that cause more pollution.

The downstream unit, which includes refining, chemicals, marketing, trading, LPG, and gas and power, demonstrated excellent performance in 2015 with an increase of 113% in its adjusted net income, to a total of 2.15 billion euros. This income was driven by Repsol's historically high margins in refining and chemicals, which were achieved as a result of the company's investments in efficiency and operational improvements in recent years, which have enabled it to take full advantage of the current crude oil price situation and its effects.

At the same time, as was announced on January 27th, the company has considered the potential persistence of low prices and made extraordinary impairments worth 2.957 billion euros. Furthermore, calculating the inventory valuation at MIFO, an accounting criteria used to value inventory at average cost, has had a negative impact of 459 million euros over the year.

On the other hand, the company has generated income from divestments and the purchase of bonds issued by Talisman, along with other non-recurring income. The sum of these factors resulted in net income for the year of -1.227 billion euros.

Since most of the impairments booked are in response to the oil price situation, they may be reversed in the P&L statements in the coming years.

In response to the current situation, Repsol has implemented additional measures in 2016 to reinforce the objectives set out in its 2016-2020 Strategic Plan. These measures include increasing and accelerating synergies and efficiency, reducing investments, and advancing the divestment of non-strategic assets.

In this sense, the company has already generated over 200 million dollars in synergies from the Talisman integration and raised its target to 400 million dollars, up from its initial goal of 220 million dollars.

Repsol will also reinforce its efficiency program in order to reach around 1.1 billion euros by 2016, representing more than 50% of the target established in the Strategic Plan for 2018.

Furthermore, Repsol will reduce the investments forecast for 2016 and 2017 by an additional 1.8 billion euros, which will bring investments to below 4 billion euros for 2016 and a similar figure for 2017. This reduction represents an additional 20% reduction to the commitments made in the Strategic Plan.

Repsol's net financial debt was 11.934 billion euros at the end of the year, a fall of 1.189 billion euros from the end of the third quarter. This reduction is due to strong cash generation, which allowed the company to cover investments and interest payments.

The group's liquidity at the end of the financial year stands at 9.13 billion euros, more than twice the short-term gross debt maturities.

The Board of Directors has agreed to propose to the next Annual General Meeting a remuneration (as a final dividend payment) of 0.3 euros per share under the "Repsol Flexible Dividend" program.

The Repsol Flexible Dividend Program allows shareholders to elect receiving newly-issued paid-up shares of the company or receiving an amount in cash through the sale of the free of-charge allocation rights in the market or to the company at a guaranteed fixed price.

UPSTREAM: OPTIMAL PRODUCTION AND RESERVE LEVELS ACHIEVED, FOCUS ON EFFICIENCY

Repsol incorporated Talisman's assets in 2015, increasing, improving, and diversifying its upstream portfolio and significantly increasing its levels of hydrocarbon production and reserves.

In 2015, Repsol achieved an average production of 558,900 barrels of oil equivalent per day (boe/d), a figure that is 57,6 % higher than in 2014 and includes the Talisman assets from May 8th. During the last quarter of the year production rose to 697,500 boe/d, 88% higher than the same period in the previous year, reaching the optimal level established by the company in its Strategic Plan.

The largest increases in production came from the incorporated assets in North America and Asia, and the contribution of the strategic projects in Venezuela and Brazil. Talisman assets contributed 202,900 boe/d to average annual production.

With regard to exploration in 2015, Repsol obtained positive results from 16 wells in Bolivia, the United States, Brazil, Russia, and Algeria, driving the exploration success rate to 50%, in line with the previous year and above the industry average.

The group's proved reserves increased by 54% during the year, to 2.373 billion boe. The organic reserve replacement rate (not including the Talisman acquisition) was 159%. With the incorporation of the Canadian company, Repsol's reserve replacement rate rose to more than 500%.

During the year, the international benchmark prices fell sharply: Brent declined 47% to an average price of 52.4 dollars/barrel; WTI fell by 47.5% to an average price of 48.8 dollars/barrel; and the Henry Hub gas price fell by 38.6% to 2.7 dollars per million BTU.

Repsol's price realization was better than the international benchmarks. The company's crude oil realization price fell by 43.2%, four percentage points less than the crude benchmarks, and its gas realization price fell by 26.8%, ten percentage points less than Henry Hub.

The steep decline in international hydrocarbon prices was reflected in the upstream unit, which had a negative adjusted net income of 909 million euros. This result was also affected by the interruption of operations in Libya and the amortization of exploratory wells.

Upon reaching the company's production and reserve objectives, in 2016 the Upstream unit has expanded its efforts to generate value by identifying new synergies and increasing efficiency. All of these measures have effectively contributed to setting the company's breakeven point for generating positive cash flow at 40 dollars/barrel after interest and dividends, one of the lowest in the sector.

DOWNSTREAM: DOUBLED INCOME DUE TO EXCELLENT PERFORMANCE

The downstream unit has had a very positive year, thanks in large part to the refining and chemicals businesses. The unit's adjusted net income increased by 113% to 2.150 billion euros.

The investments made over the last few years at the company's facilities have enabled it to capture the full value from the refining margins, efficiently producing fuels with high added value and taking better advantage of the low oil prices. During 2015, the refining margin indicator stood at historic levels of 8.5 dollars per barrel, compared to the 4.1 dollars per barrel recorded the previous year.

Sales of oil products increased by 9.2% to a total of 47.6 million tons, mainly due to the growth of diesel sales in Europe, particularly in Spain, Italy, and Portugal.

Chemicals also increased its income significantly with the implementation of its Competitiveness Plan, which includes operational and efficiency improvements, as well as with increased sales (6% more) and margins. It also benefited from a more favorable environment.

It is also worth noting the agreement reached in April 2015 between Repsol and Mexico's Grupo KUO to expand their joint venture, Dynasol, which will become one of the world's leading companies in the synthetic rubber market. Dynasol will produce over 500,000 tons of high-added-value materials per year, with an estimated income of close to 750 million dollars.

GAS NATURAL FENOSA

Gas Natural Fenosa's adjusted net income contributed 453 million euros to overall results, 3% more than in the previous year, due to the contributions of CGE Chile and better performance in Latin America, which have offset the lower contribution of the gas commercialization business.

REPSOL INCOME BY SEGMENT*
(Figures not audited)

Million euros	JANUARY-DECEMBER		Variation (%)
	2014	2015	
Upstream	589	(909)	–
Downstream	1,012	2,150	112.5
Gas Natural Fenosa	441	453	2.7
Corporate and others	(335)	166	–
ADJUSTED NET INCOME	1,707	1,860	9.0
Inventory effect	(606)	(459)	24.3
Non-recurring income**	(86)	(2,628)	–
Income from discontinued operations	597	–	–
NET INCOME (MIFO)***	1,612	(1,227)	–

(*)The results for each segment include those from joint ventures, or other managed companies operated as such, in accordance with the percentage of interest held by the Group, considering its operational and economic metrics in the same manner and with the same detail as for fully consolidated companies. Thus, the Group considers that the nature of its businesses and the way in which results are analyzed for decision-making purposes is adequately reflected.

(**) The non-recurring income is made up of the following: Impairments (-2,957) and others (+329).

(***) MIFO (Middle In First Out): accounting standard of valuation of inventories at average cost.

KEY BUSINESS FIGURES
(Figures not audited)

	JANUARY-DECEMBER		Variation (%)
	2014	2015	
Oil and gas production (Thousand boepd)	355	559	57.6
Crude processed (million tons)	39.5	43.3	9.6
Sales of oil products (Thousand tons)	43,586	47,605	9.2
Sales of petrochemical products (Thousand tons)	2,661	2,822	6.0
LPG sales (Thousand tons)	2,506	2,260	(9.8)

PRODUCTION BY GEOGRAPHICAL AREA*

(Barrels of oil equivalent per day)

Europe, Africa and Brazil	76,200
South America	269,600
North America	139,300
Asia & Russia	73,800
TOTAL PRODUCTION	558,900

(*) Data corresponds to average production obtained during 2015.

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